

**KOEHLER TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN**

Financial Statements
For the Year Ended
March 31, 2007

Prepared By:

Richard E. Mahlmeister, C.P.A., P.C.
580 South Nicolet, P.O.Box 996
Mackinaw City, MI 49701

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Koehler Township	County Cheboygan
Fiscal Year End March 31, 2007	Opinion Date September 18, 2007	Date Audit Report Submitted to State September 25, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

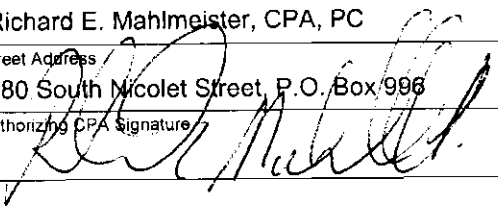
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Richard E. Mahlmeister, CPA, PC		Telephone Number 231-436-5223	
Street Address 580 South Nicolet Street, P.O. Box 996		City Mackinaw City	State MI
Authorizing CPA Signature 		Zip 49701	License Number 17351
Printed Name Richard E. Mahlmeister, CPA			

KOEHLER TOWNSHIP

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INDEPENDENT AUDITOR'S REPORT

September 18, 2007

Township Board
Koehler Township
Cheboygan County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **Koehler Township, Cheboygan County, Michigan**, as of and for the year ended March 31, 2007, which collectively comprise **Koehler Township's** basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Koehler Township's** management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of **Koehler Township, Cheboygan County, Michigan**, as of March 31, 2007, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 1 through 5 and 21 through 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.



Richard E. Mahlmeister, C.P.A.
Richard E. Mahlmeister, CPA, PC

KOEHLER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2007. Please read it in conjunction with the financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

FINANCIAL HIGHLIGHTS

Assets at March 31, 2007 totaled \$418,804 for governmental activities. Of the total, \$44,288 represents capital assets, net of depreciation.

Revenues derived from governmental activities were \$248,977; \$16,516 from charges for services, \$6,792 from capital grants and contributions and \$225,669 from general revenues. Overall expenses for the Township's governmental activities were \$184,053.

Capital assets in the amount of \$14,792 were acquired during the fiscal year and the Township does not have any long-term debt. Capital asset and debt activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year March 31, 2007.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

KOEHLER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two Government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Township, you may also consider additional factors such as tax base changes, facility conditions, and personnel changes.

Most of the activities are reported as governmental activities. These would include the operations recorded in the General Fund, Fire Fund, and the Liquor Law Enforcement Fund.

The comparison of net assets of governmental activities from year to year serves to measure a government's financial position:

	Koehler Township	
	Net Assets	
	March 31,	
	GOVERNMENTAL	
	ACTIVITIES	
Assets:	2007	2006
Current assets	\$374,516	\$320,939
Capital assets (net)	44,288	32,753
Total assets	<u>418,804</u>	<u>353,692</u>
Liabilities - all current	<u>2,728</u>	<u>2,540</u>
Net assets:		
Invested in capital assets	44,288	32,753
Unrestricted	<u>371,788</u>	<u>318,399</u>
Total net assets	<u><u>\$416,076</u></u>	<u><u>\$351,152</u></u>

The most significant portion of the Township's net assets is cash and cash equivalents and capital assets. The Township has \$371,788 in unrestricted net assets. These assets represent resources that are available for appropriation, but are limited by policies regarding their use.

KOEHLER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following table summarizes the results of the changes in net assets of the Township:

Koehler Township Change in Net Assets March 31,		
GOVERNMENTAL ACTIVITIES		
	2007	2006
REVENUES:		
Program revenues:		
Charges for services	\$16,516	\$14,500
Capital grants and contributions	6,792	-
General revenues:		
Property taxes	122,456	106,440
State-shared revenues	91,368	95,468
Interest income	11,641	8,900
Other	204	4,067
Total Revenues	<u>248,977</u>	<u>229,375</u>
EXPENSES:		
Legislative	27,755	28,676
General government	72,591	73,003
Public safety	53,502	47,282
Public works	27,542	26,741
Other	2,663	2,491
Total Expenses	<u>184,053</u>	<u>178,193</u>
NET ASSETS:		
Increase in net assets	64,924	51,182
Beginning Net Assets	351,152	299,970
Ending Net Assets	<u>\$416,076</u>	<u>\$351,152</u>

The Township is able to report positive balances in net assets. Net assets increased by \$64,924. Revenue increases, when compared to last fiscal year, totaling \$19,602 can be attributed primarily to rising interest rates during the year and increased tax revenue, due to rising taxable property values. Overall expenses have increased due mainly to an increase in public safety – fire contracted services fees and an increase in the general cost of conducting the Township's business.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board may also create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

KOEHLER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FUND FINANCIAL STATEMENTS (CONTINUED)

The Township has the following types of funds:

Governmental Funds

Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains three individual governmental funds; General Fund, Fire Fund and Liquor Law Enforcement Fund; of which the General Fund and the Fire Fund we consider major funds. The Township funds are financed primarily by both property tax revenue and state shared revenues.

Fiduciary Funds

The Township acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to whom the funds belongs. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental Activities

The General Fund had an increase in fund balance, primarily due to increases in taxable value and interest rates. The Township continued to provide the same services to its residents: administrative, assessing, elections, township hall maintenance, road maintenance, transfer station operations, fire protection and tax collection. The General Fund increased its fund balance by \$52,577, bringing the fund balance to \$364,212. The Fire Fund increased its fund balance by \$1,098 bringing the fund balance to \$7,206. The Liquor Law Enforcement Fund decreased its fund balance by \$286, bringing the fund balance to \$370.

Capital Asset and Debt Administration

Capital Assets

At March 31, 2007, the Township had \$89,077 in capital assets, which includes the township hall and primarily office equipment. Election equipment was purchased during the year with a federal grant in the amount of \$6,792. We also expended \$8,000 for improvements to the Township Hall.

Long-Term Debt

No new debt was incurred during the year, nor is there any other long-term debt.

KOEHLER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUDGETARY HIGHLIGHTS

Overall there are no significant differences between the original and actual budget, other than increasing budgeted capital outlay for the improvements to the Township Hall. We did spend less on road improvements that we planned on doing.


KNOWN FACTORS AFFECTING FUTURE OPERATIONS


The Township expects financial aspects of governing to be generally the same as in the current year. However, one area of continuing potential revenue reduction is in state-shared revenues. These monies come from the State of Michigan and are contingent on various economic and political considerations. We also plan on continuing to improve various county roads within the Township, which include improving Hackleburg Road. Estimated cost for this project is \$28,000.

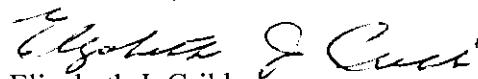
We believe that we need to continue to strive for a healthy fund balance.

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact Russell Crawford, Township Supervisor at 231.238.9576.


Russell Crawford
Koehler Township Supervisor


Cheryl L. Procknow
Koehler Township Clerk


Elizabeth J. Cribb
Koehler Township Treasurer

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**KOEHLER TOWNSHIP
STATEMENT OF NET ASSETS
MARCH 31, 2007**

ASSETS		GOVERNMENTAL ACTIVITIES
Cash and cash equivalents		\$191,462
Investments		158,144
Receivables:		
Property taxes		11,845
Due from fiduciary fund		20
Due from other governmental units		13,045
Capital assets (net of accumulated depreciation)		<u>44,288</u>
TOTAL ASSETS		<u>418,804</u>
LIABILITIES		
Accounts payable		<u>2,728</u>
NET ASSETS		
Invested in capital assets		44,288
Unrestricted		<u>371,788</u>
TOTAL NET ASSETS		<u><u>\$416,076</u></u>

The accompanying notes are an integral part of these financial statements.

**KOEHLER TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government			
Governmental activities:			
Legislative	\$27,755	\$ -	\$ -
General government	72,591	16,516	-
Public safety	53,502	-	-
Public works	27,542	-	-
Other	2,663	-	-
Total governmental activities	184,053	16,516	-

General Revenues
Property taxes
State-shared revenues
Unrestricted interest income
Other

Total general revenues

Change in net assets

Net assets, beginning of year

Net assets, end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense)
Revenue and Changes
in Net Assets
Governmental
Activities

Capital Grants and Contributions	TOTAL
\$ -	(\$27,755)
6,792	(49,283)
-	(53,502)
-	(27,542)
-	(2,663)
6,792	(160,745)

122,456
91,368
11,641
204
225,669
64,924
351,152
\$416,076

FUND FINANCIAL STATEMENTS

KOEHLER TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2007

ASSETS	GENERAL FUND	FIRE FUND	NON-MAJOR FUND	TOTAL GOVERNMENTAL FUNDS
			LIQUOR LAW ENFORCEMENT FUND	
Cash and cash equivalents	\$189,540	\$1,552	\$370	\$191,462
Investments	158,144	-	-	158,144
Taxes receivable	6,191	5,654	-	11,845
Due from other funds	20	-	-	20
Due from other governmental units	13,045	-	-	13,045
TOTAL ASSETS	\$366,940	\$7,206	\$370	\$374,516
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$2,728	\$ -	\$ -	\$2,728
TOTAL LIABILITIES	2,728	-	-	2,728
FUND BALANCES				
Unreserved:				
Designated For:				
Subsequent years' expenditures	79,390	4,000	370	83,760
Unreserved, undesignated	284,822	3,206	-	288,028
TOTAL FUND BALANCES	364,212	7,206	370	371,788
TOTAL LIABILITIES AND FUND BALANCES	\$366,940	\$7,206	\$370	\$374,516

The accompanying notes are an integral part of these financial statements.

**KOEHLER TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2007**

Reconciliation of fund balances on the balance sheets for governmental activities to the statement of net assets	
FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$371,788
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Add: capital assets	89,077
Subtract: accumulated depreciation	<u>(44,789)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$416,076</u>

The accompanying notes are an integral part of these financial statements.

KOEHLER TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2007

	GENERAL FUND	FIRE FUND	NON-MAJOR FUND LIQUOR LAW ENFORCEMENT FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Taxes	\$68,417	\$54,039	\$ -	\$122,456
Federal revenues	6,792	-	-	6,792
State shared revenues	91,093	-	275	91,368
Charges for services	16,516	-	-	16,516
Interest	11,641	-	-	11,641
Other	204	-	-	204
TOTAL REVENUES	194,663	54,039	275	248,977
EXPENDITURES				
Current:				
Legislative	27,755	-	-	27,755
General government	69,334	-	-	69,334
Public safety	-	52,941	561	53,502
Public works	27,542	-	-	27,542
Other functions	2,663	-	-	2,663
Capital outlay	14,792	-	-	14,792
TOTAL EXPENDITURES	142,086	52,941	561	195,588
NET CHANGE IN FUND BALANCES	52,577	1,098	(286)	53,389
FUND BALANCES, BEGINNING OF YEAR	311,635	6,108	656	318,399
FUND BALANCES, END OF YEAR	\$364,212	\$7,206	\$370	\$371,788

The accompanying notes are an integral part of these financial statements.

KOEHLER TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2007

Reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to statement of activities

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$53,389

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, those costs are allocated over their useful lives as annual depreciation expense in the statement of activities.

Add: capital outlay capitalized during the current year	14,792
Subtract: depreciation expense	<u>(3,257)</u>

CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$64,924</u>
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The accompanying notes are an integral part of these financial statements.

**KOEHLER TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
MARCH 31, 2007**

ASSETS		AGENCY FUND
Cash		<u><u>\$102</u></u>
LIABILITIES		
Due to other funds		20
Due to other governmental units		<u>82</u>
TOTAL LIABILITIES		<u><u>102</u></u>
NET ASSETS		
Fiduciary Net Assets		<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

KOEHLER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Koehler Township, Cheboygan County, Michigan conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the most significant policies.

THE REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Township and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements.

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that are not properly included among program revenues are reported instead as general revenue.

KOEHLER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria, based on percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds, for the determination of major funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be available when the government receives cash.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989.

KOEHLER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major funds:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

Fire Fund - The Fire Fund is used to account for expenditures related to the township provided fire service contracted with an outside non-profit fire department. Financing is provided primarily by property taxes.

The Township reports the following special revenue - nonmajor fund:

Liquor Law Enforcement Fund - The Liquor Law Enforcement Fund accounts for liquor license fees refunded by the State and utilization for enforcement of the State's liquor laws.

Fiduciary Funds

Trust and Agency Fund - The Tax Collection Fund is used to account for property taxes collected for the Township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

INVESTMENTS

Investments are stated at cost, which approximates market, and consist of certificates of deposit with maturity values of three months or longer.

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All receivables are reported at their gross values. Interfund transfers reflect the use of unrestricted revenues collected in the General Fund used to finance programs accounted for in other funds in accordance with budgetary provisions.

KOEHLER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

There is no accumulated vacation, sick leave or post-employment benefits to be recognized.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Assets with an initial individual cost of \$2,000 and an estimated useful life in excess of one year generally defines capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	15 – 50 years
Equipment	5 – 10 years

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures. The Township has no long-term obligations as of March 31, 2007.

FUND EQUITY

Reserved fund balances for governmental funds indicate that portion of fund equity, which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted through passage of a resolution.
4. Budgeted amounts are as originally adopted, or as amended by the Township Board.

Adoption of Deficit Budget

Public Act 2 of 1968, as amended, provides that a local unit shall adopt a balanced budget whereas budgeted expenditures may not exceed budgeted revenues plus the prior year surplus. Though no deficit spending occurred during the year ended March 31, 2007, the Township adopted a budget for the Liquor Law Enforcement Fund where the budgeted expenditures exceeded the budgeted revenues plus prior year surplus in the amount of \$319.

NOTE 3: PROPERTY TAX

Property tax revenues for the year ended March 31, 2007, reflected in the accompanying financial statements include property taxes levied December 31, 2006. These taxes are due by February 15, 2007, and are added to the County tax rolls after February 28, 2007. The Township will receive 100% payment for the delinquent tax by June, 2007.

The taxable value of the Township totaled \$58,548,404, on which ad valorem taxes consisted of .8000 mills for the Township's operating purposes and .9199 for fire protection services, raising \$47,104 for operating purposes and \$54,039 for fire protection services

KOEHLER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 4: CASH AND CASH EQUIVALENTS

The caption on the statements of net assets relating to cash and cash equivalents and investments represent deposits in varying amounts as follows:

Cash and cash equivalents	\$191,564
Investments (certificates of deposit)	158,144
	<hr/>
	\$349,708

Custodial Credit Risk – Deposits

At year-end the carrying amounts of cash and cash equivalents were classified as to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$254,371	\$254,386
Uninsured – uncollateralized	95,337	96,791
	<hr/>	<hr/>
	\$349,708	\$351,177

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated level are used as depositories. The Township may experience significant fluctuations in deposit balances through the year.

Statutory Authority

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township's investment policy is in accordance with statutory authority.

KOEHLER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 5: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivables and payables for the year ended March 31, 2007 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$20	\$ -
Tax Collection	-	20
Total	<u>\$20</u>	<u>\$20</u>

There were no operating transfers for the year ended March 31, 2007.

NOTE 6: CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	<u>Balance April 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2007</u>
<u>Not being depreciated:</u>				
Land	\$6,000	\$ -	\$ -	\$6,000
<u>Being Depreciated:</u>				
Building and Improvements	62,191	8,000	-	70,191
Equipment	<u>6,094</u>	<u>6,792</u>	<u>-</u>	<u>12,886</u>
Subtotal	74,285	14,792	-	89,077
Less accumulated depreciation	<u>(41,532)</u>	<u>(3,257)</u>	<u>-</u>	<u>(44,789)</u>
Total	<u>\$32,753</u>	<u>\$11,535</u>	<u>\$ -</u>	<u>\$44,288</u>

Depreciation was charged to the Township's functions as follows:

General government	<u>\$3,257</u>
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NOTE 7: PENSION PLAN

The Township provides pension benefits through a defined contribution plan covering all board members, which is administered by the John Hancock Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes 20% of employees' gross earnings. In accordance with these requirements, the Township contributed \$9,555 for the year ended March 31, 2007; fees and other charges were \$180.

KOEHLER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 8: RISK MANAGEMENT

Koehler Township participates in the Michigan Municipal Liability and Property Pool for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138; Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of Koehler Township. Koehler Township pays an annual premium to the Michigan Municipal Liability and Property Pool for its general insurance coverage and has no additional liability beyond the premiums made to this plan and the \$1,000 deductible amounts.

The plan has a maximum liability for property of \$94,953, general liability of \$1,000,000, personal injury liability of \$1,000,000, public officials liability of \$1,000,000, employee benefit liability of \$1,000,000, automobile liability of \$1,000,000, crime of \$100,000 and bonding for public officials errors and omissions. Additionally, Koehler Township has purchased commercial insurance for workman's compensation benefits.

Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 9: COMMITMENTS

The Township has entered into a contract for improvements of a county road within the Township in the approximate amount of \$28,000.

REQUIRED SUPPLEMENTARY INFORMATION

**KOEHLER TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes:				
Property tax	\$47,000	\$47,000	\$47,104	\$104
Property taxes - administrative fee	13,000	13,000	20,640	7,640
Trailer park fees	530	530	204	(326)
Penalties and interest	-	-	469	469
Total taxes	60,530	60,530	68,417	7,887
Federal revenues	-	-	6,792	6,792
State shared revenues:				
State shared revenues	75,000	75,000	79,457	4,457
State shared revenues-METRO Act	-	-	2,302	2,302
Swampland and commercial forest	10,000	10,000	9,334	(666)
Total state shared revenues	85,000	85,000	91,093	6,093
Charges for services:				
Cemetery lots and vault rent	2,229	2,229	1,525	(704)
Sanitation - landfill fees	19,000	19,000	14,991	(4,009)
Total charges for services	21,229	21,229	16,516	(4,713)
Interest	8,400	8,400	11,641	3,241
Other revenue:				
Other	241	241	204	(37)
TOTAL REVENUES	175,400	175,400	194,663	19,263

**KOEHLER TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
CURRENT:				
LEGISLATIVE				
Township board	\$37,700	\$37,700	\$27,755	\$9,945
GENERAL GOVERNMENT				
Supervisor	19,075	19,075	14,233	4,842
Assessor	16,000	16,000	10,997	5,003
Elections	4,000	4,000	3,098	902
Clerk	19,075	19,075	12,122	6,953
Treasurer	24,440	24,440	17,085	7,355
Township property	12,200	12,200	8,467	3,733
Cemetery	8,400	8,400	3,332	5,068
TOTAL GENERAL GOVERNMENT	103,190	103,190	69,334	33,856
PUBLIC WORKS				
Highways and streets	60,500	60,500	3,980	56,520
Sanitation	33,700	33,700	23,562	10,138
TOTAL PUBLIC WORKS	94,200	94,200	27,542	66,658
OTHER FUNCTIONS				
Insurance and bonds	3,500	3,500	2,463	1,037
Contracted service - Humane Society	200	200	200	-
TOTAL OTHER FUNCTIONS	3,700	3,700	2,663	1,037
CAPITAL OUTLAY	6,000	18,000	14,792	3,208
TOTAL EXPENDITURES	244,790	256,790	142,086	114,704
REVENUES OVER (UNDER) EXPENDITURES	(69,390)	(81,390)	52,577	133,967
OTHER FINANCING SOURCES				
Operating transfers (out)	(10,000)	(10,000)	-	10,000
NET CHANGE IN FUND BALANCE	(79,390)	(91,390)	52,577	143,967
FUND BALANCE - BEGINNING OF YEAR	311,635	311,635	311,635	-
FUND BALANCE - END OF YEAR	\$232,245	\$220,245	\$364,212	\$143,967

**KOEHLER TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
FIRE FUND
FOR THE YEAR ENDED MARCH 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Property taxes	\$56,000	\$56,000	\$54,039	(\$1,961)
TOTAL REVENUES	56,000	56,000	54,039	(1,961)
EXPENDITURES:				
Public safety	60,000	60,000	52,941	7,059
TOTAL EXPENDITURES	60,000	60,000	52,941	7,059
NET CHANGE IN FUND BALANCE	(4,000)	(4,000)	1,098	5,098
FUND BALANCE, BEGINNING OF YEAR	6,108	6,108	6,108	-
FUND BALANCE, END OF YEAR	\$2,108	\$2,108	\$7,206	\$5,098

September 18, 2007

Township Board
Koehler Township
Cheboygan County, Michigan

In planning and performing my audit of the financial statements of *Koehler Township* as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, I considered *Koehler Township's* internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of *Koehler Township's* internal control. My consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, I do not express an opinion on the effectiveness of *Koehler Township's* internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a certain deficiency in internal control that I consider a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Of the following significant deficiencies, Financial Statement Presentation is considered a material weakness.

Lack of Segregation of Duties

Lack of segregation of duties exists in the accounting function due to the limited number of accounting personnel.

This condition is generally inherent in organizations the size of *Koehler Township*, where corrective action is not practical, and to the extent possible, duties are allocated between accounting personnel to mitigate the risk of material asset misappropriation.

Budgeting

Public Act 2 of 1968, as amended, provides that a local unit shall adopt a balanced budget whereas budgeted expenditures may not exceed budgeted revenues plus the prior year surplus. Though no deficit spending occurred, during the year ended March 31, 2007, the Township adopted a budget for the Liquor Law Enforcement Fund where the budgeted expenditures exceeded the budgeted revenues plus prior year surplus in the amount of \$319.

I recommend that the Township Board review its budgeting procedures so that it will be ensured that future adopted budgets for the Liquor Fund, as well as other funds, will be balanced in accordance with this Act.

Financial Statement Preparation

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

However, small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.

This communication is intended solely for the information and use of management, the Members of the Board of *Koehler Township*, and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for the opportunity to serve *Koehler Township*. Best wishes in the next year.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard E. Mahlmeister". The signature is fluid and cursive, with a large, stylized "R" at the beginning.

Richard E. Mahlmeister, C.P.A.
Richard E. Mahlmeister, C.P.A., P.C.